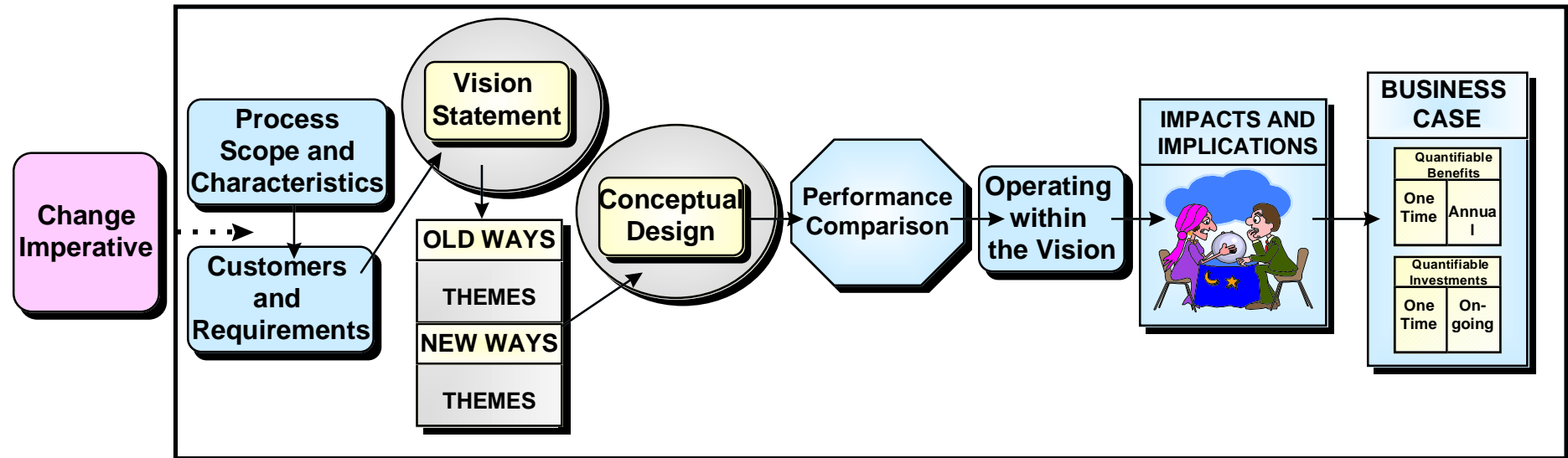
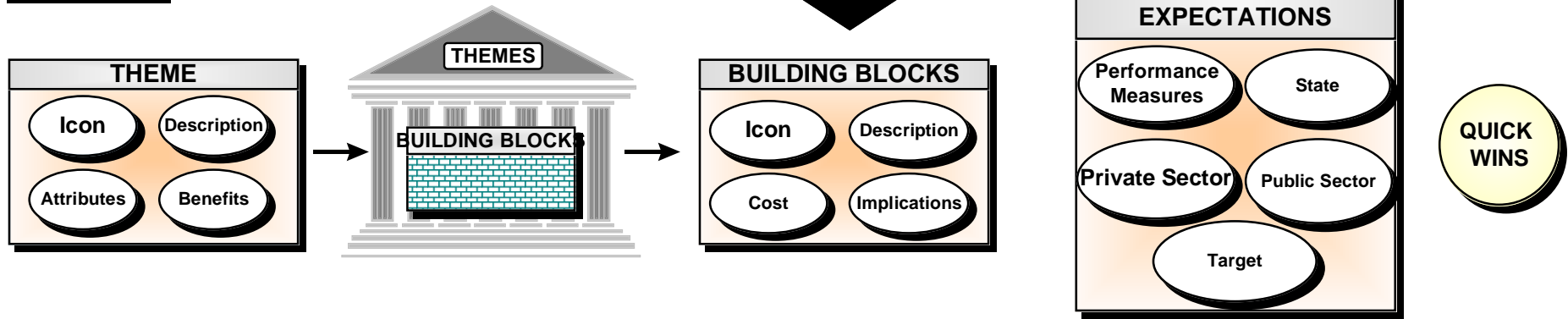


D. Budgeting Process Vision



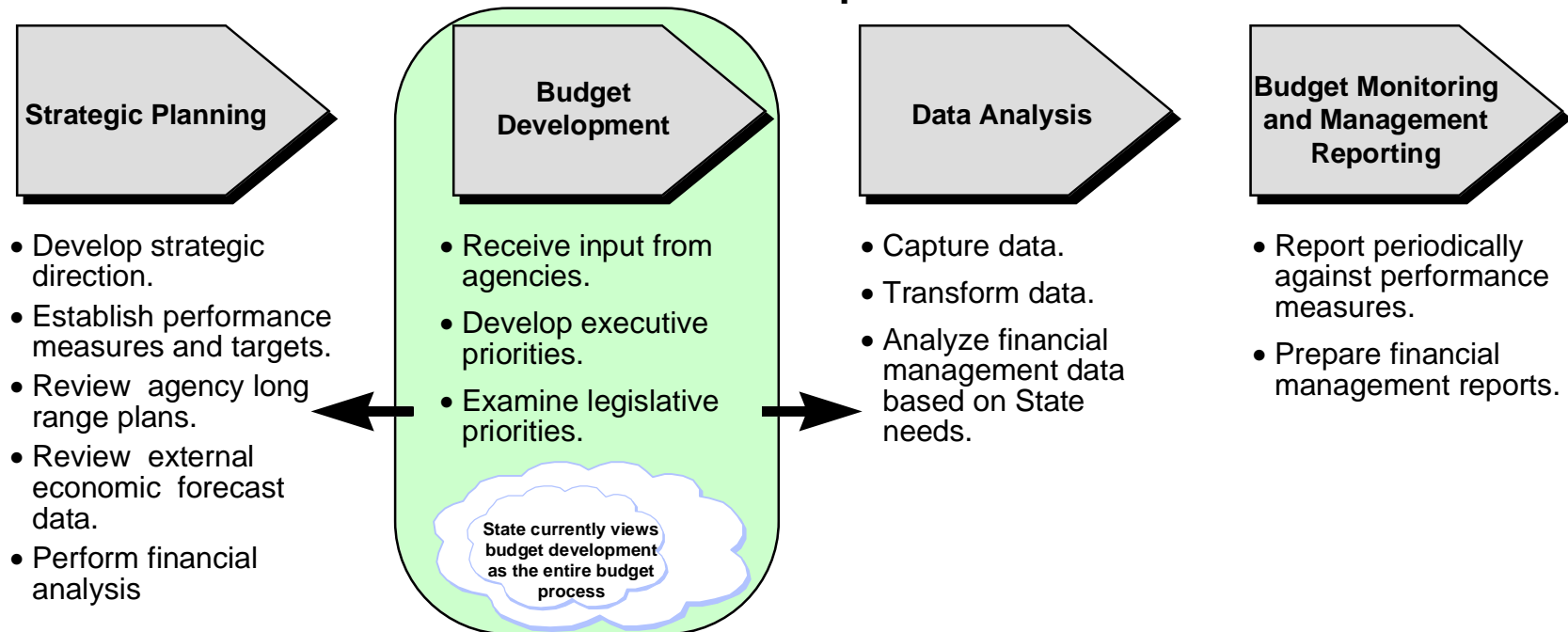
Appendix B





Process Scope and Characteristics

Budgeting and Forecasting is one process within the complete financial management function. The vision assumes that the existing budgetary process timeline of State Government will remain in place.



- **At least 200 employees involved in the process equivalent to 122 FTE's.**
- **Total Budget Development Cost = \$6.5 million**
- **Total Budget Development Length = 18 months**



Customers and Requirements

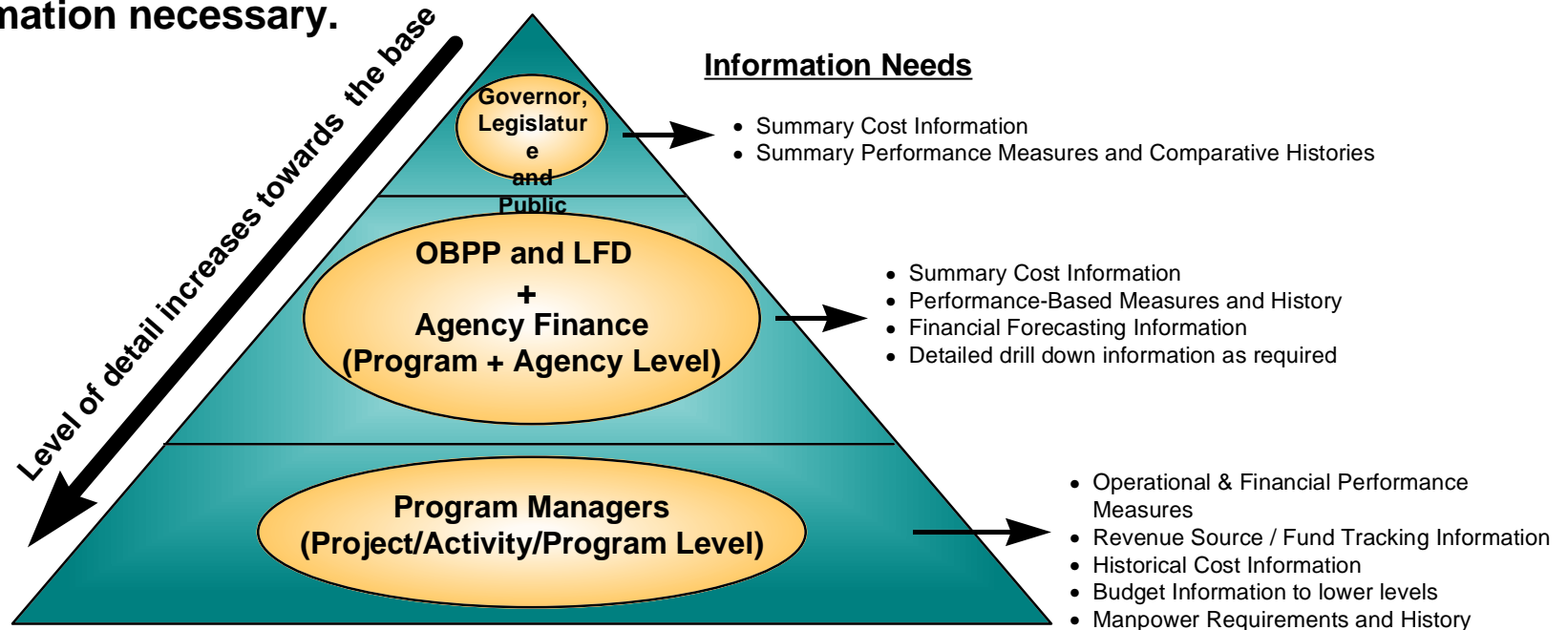
The budget process serves as the financial yardstick for the entire State government. As a result, various customers have different expectations as to what they value from the State budget system.

CUSTOMERS	WHAT THEY VALUE
Agencies	<ul style="list-style-type: none"> • Efficient input system to facilitate tracking and minimize reconciliation. • Capability to monitor budgeted amounts against actual results. • Historical and rolling trend information to establish baseline performance. • Multi-year and variable year tracking capability. • Integration of budgetary system so that links between operational, human resources and financial information is easily available. • Ad hoc and what if reporting flexibility for scenario development.
Legislative Fiscal Division (LFD)	<ul style="list-style-type: none"> • Consolidation and Roll up of budgetary information across agencies. • Economic information and projection capability. • Means of tracking legislative changes during sessions. • Ad hoc and what if analysis capability. • Adequate time for budgetary analysis.
Office of Budget and Program Planning (OBPP)	<ul style="list-style-type: none"> • Consolidation and Roll up of Budgetary information across agencies. • Input of information from agencies on schedule. • Means of analyzing information. • Capability for tracking change during budget development process. • Ad hoc and what if analysis capability.
Auditors	<ul style="list-style-type: none"> • Audit trail with a means of identifying input, justification and performance.
Governor and Legislature	<ul style="list-style-type: none"> • Fast response to their information requests. • Summary cost and performance information detail by agency. • Means of monitoring agency performance.
The Public	<ul style="list-style-type: none"> • Easy access to government performance and costs.



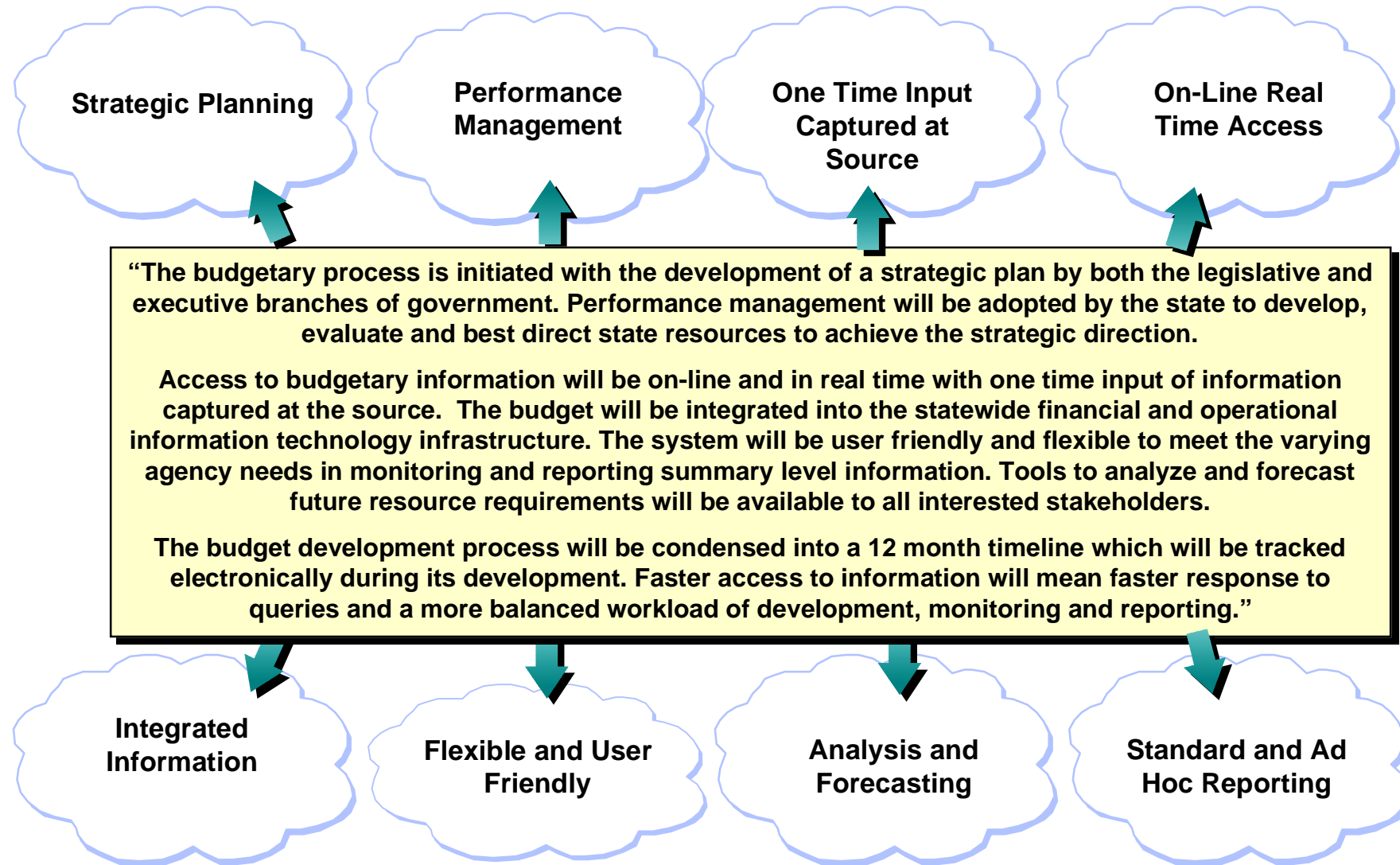
Customers and Requirements - Segmentation

Within the State government various entities have informational needs that vary based on level of detail, linkages to non financial measures and comparative information necessary.



- Level of detail in the budget is greatest at the program manager level.
- Detail rolls up to summary information as required for agencies further up the government hierarchy but backup information is available to satisfy all queries.

Vision Statement





Old Way Themes versus New Way Themes

“A new budgetary process incorporating electronic tracking, performance measurement, which is driven by a strategic planning process, is envisioned by the

OLD WAY	NEW WAY
<ul style="list-style-type: none"> • Biennial process initiated with EPP -- a wish list for agencies. 	<p>→</p> <ul style="list-style-type: none"> • Biennial process and budget development initiated with strategic direction provided by the Governor's office and the Legislature.
<ul style="list-style-type: none"> • Performance based budgeting used on a limited trial basis. 	<p>→</p> <ul style="list-style-type: none"> • Performance based budgeting and management is an integrated part of the budget process.
<ul style="list-style-type: none"> • Low value, labor and paper intensive, repetitive data entry and recapture activities. Redundant approval process. 	<p>→</p> <ul style="list-style-type: none"> • Input of data once at the source of information. Approved and updated electronically.
<ul style="list-style-type: none"> • Lengthy budget cycle that is difficult to reconcile when tracking variations between original input and the final document. 	<p>→</p> <ul style="list-style-type: none"> • Electronic, on-line real time tracking of budget cycle modifications.
<ul style="list-style-type: none"> • Limited accessibility and duplication of data across non-integrated systems. 	<p>→</p> <ul style="list-style-type: none"> • Integration of systems providing shared, accessible information.
<ul style="list-style-type: none"> • The Budgetary Development process is currently tied to the Legislative schedule. Budget systems are not user friendly and allow minimal time for analysis. 	<p>→</p> <ul style="list-style-type: none"> • Flexible and user friendly process supports the requirements of the user at all levels.



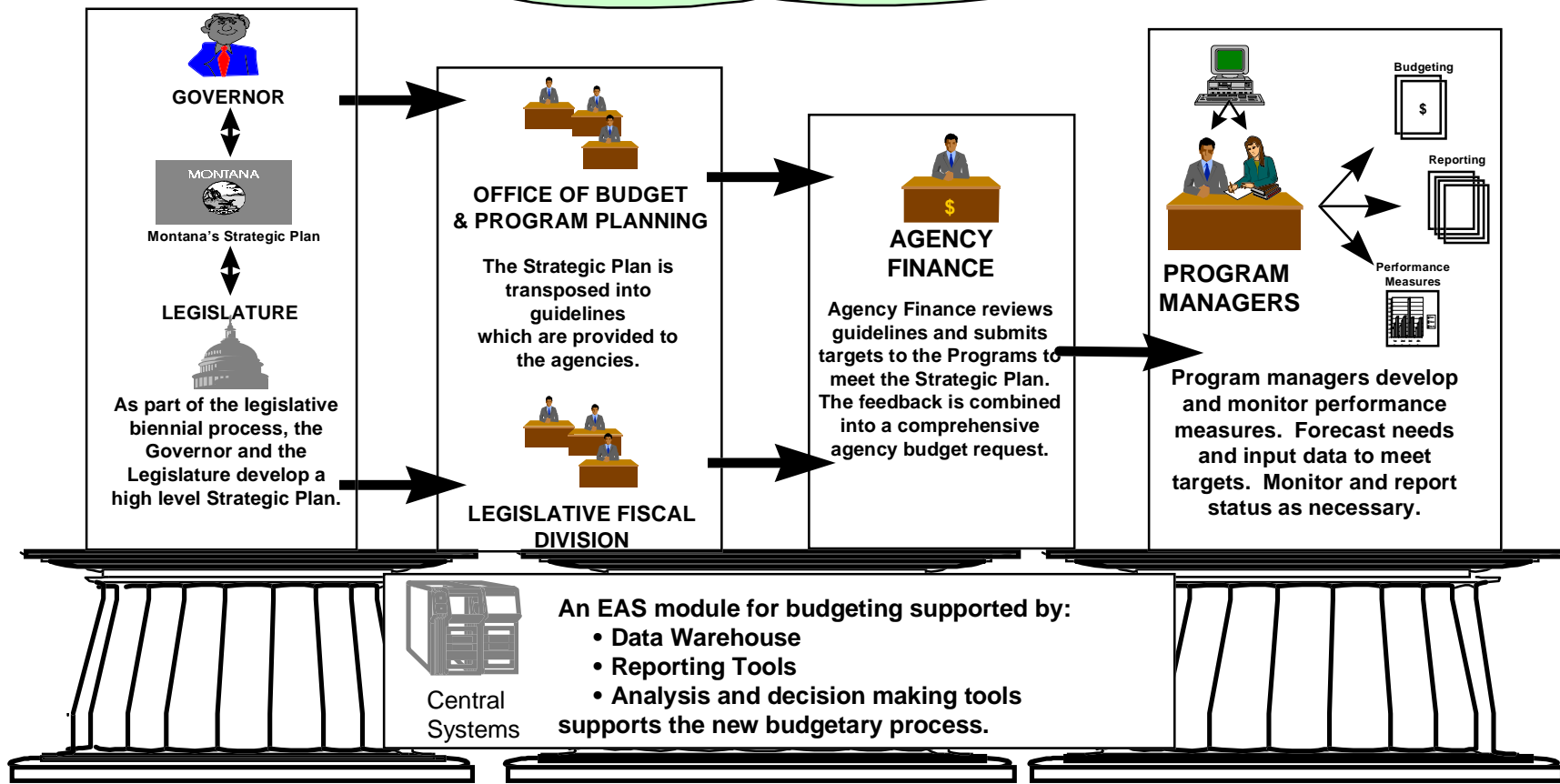
Old Way Themes versus New Way Themes

OLD WAY		NEW WAY	
<ul style="list-style-type: none">• Time intensive, fluctuating budget process with intense peaks.	→	<ul style="list-style-type: none">• Redesigned process that levels workloads ensuring achievable goals within reasonable time frames.	
<ul style="list-style-type: none">• Paper output varies by department depending on their needs and their parallel systems.	→	<ul style="list-style-type: none">• Standard reports available across the state with customized, ad hoc reports available on demand.	
<ul style="list-style-type: none">• Budget inputting and monitoring is inconsistent. Forecasting and analysis is limited.	→	<ul style="list-style-type: none">• Tools are available to consistently input, forecast, analyze, and monitor at necessary levels within agencies.	

Conceptual Design

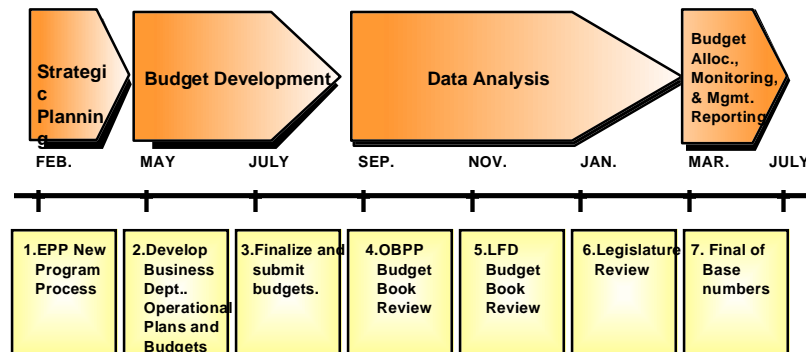
POSSIBLE FUTURE VISION

- No budget or continuous rolling budgets.
- Budget at a high level with overall service goals and a bottom line expenditures. Department managers are free to spend their resources as they see fit as long as they meet their service level responsibilities.
- Eliminate the 5% spending provision for individual agencies. Allow the entire department to remain within the authorized budget.



Performance Comparison

Implementing a new model will reduce effort, cost and budget preparation time significantly.

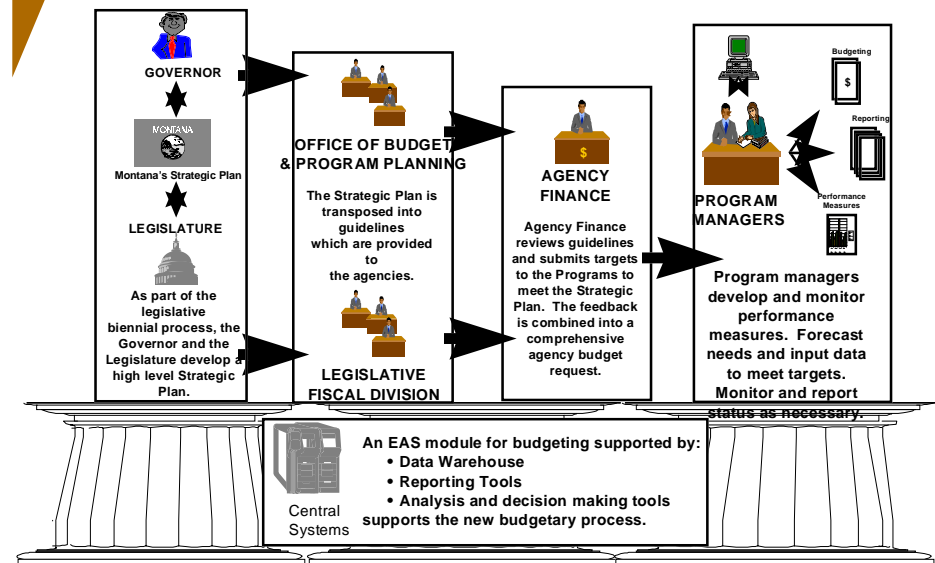


'As-is'

- 122 FTE's involved
- 4 Approvals
- 18 month preparation time
- \$6.5 Million total cost

'To-be'

- 90-110 FTE's involved
- 3 Approvals
- 12 month preparation time
- \$5-6 Million total cost
- Strategic Planning Process
- Performance Management





Operating within the Vision

From the vision statement and redesigned process model, significant benefits accrue to the State:

THEME	BENEFITS
Strategic Planning	<ul style="list-style-type: none"> Agencies will be better able to allocate and manage their resources and to respond to legislative and public queries.
Performance Management	<ul style="list-style-type: none"> Both financial and operational measures will be integrated into the budget. This should allow for a review of spending in the context of the services supplied.
One Time Input Captured at the Source.	<ul style="list-style-type: none"> Less re-keying and re-input of information. More accurate data from a single documented source -- fewer errors.
On-Line Real Time Access	<ul style="list-style-type: none"> Time savings in input and retrieval of information. Faster response time in dealing with information requests.
Integrated Information	<ul style="list-style-type: none"> Savings in investment in ancillary systems and support. Easier access to information between various state entities.
Flexible and User Friendly	<ul style="list-style-type: none"> Reduced time required to develop the budget -- more analysis performed during its input. Lower turnover resulting in savings in formal, on-the-job training. Do not have to staff for peak periods.
Analysis and Forecasting	<ul style="list-style-type: none"> More time for closer justification of the budgetary options identified. Ability to perform database inquiry and what if analysis. Better information = better decision making.
Standard and Ad Hoc Reporting	<ul style="list-style-type: none"> Reduced paper and filing costs -- no more fiche. Reduced development of replicated forms and reports. Flexible process supports the user community -- standardized reporting with ad hoc reporting available.



Impacts and Implications

In order to achieve the benefits of the redesigned processes, significant impacts requiring change will be necessary. These impacts will affect various Stakeholders around the State.

- **Program managers will input their own data.** They will have responsibility for understanding the tools and performing the analysis and scenario design.
- **The process will be faster.** The first year of the biennium will be focused on developing agency goals and direction based on the strategic plan developed by the Governor and Legislature. The second year will be focused on the development of the budget itself.
- **Budgets will focus on both cost improvement and service delivery.** The presence of complete data with the necessary tools will provide managers with the capability to analyze and identify improvement opportunities to meet state goals. Performance measurement will be used to support increased accountability for results.
- **The process in its entirety will be completed for a lower cost.** Where there are a number of individuals who are inputting the budget for a smaller agency, there may be an opportunity for centralizing a number of agency budgetary input and analysis facilities to achieve economies of scale.
- **The Legislature and Governor will develop a strategic plan.** Information will be easily available and accessible which will allow them to perform analysis themselves or identify issues of concern.
- **Fewer people will be involved in developing the budget.** People involved in the budgeting process will perform more analysis and scenario development to identify revenue enhancing or cost reduction possibilities.



Business Case - Quantifiable Benefits

The State can take advantage of significant savings by embracing the potential of the Enterprise Application System utilizing Strategic Planning and Performance Management tools.

SAVINGS	AMOUNT	COMMENTS
Labor Cost	\$480,000 to \$960,000*	15 to 30 FTEs reduced at an average salary of \$32,000 each per year.
Overhead	\$120,000 to \$240,000	25% of Labor Cost Savings
Operating portion	\$100,000 to \$200,000	Reduced cost to operate Budget systems plus storage activities and reduction in overtime.
Total Annual	\$700,000 to \$1,400,000	Exclusive of cost to implement and maintain new EAS system

*Labor savings could be offset by increased labor requirements associated with strategic planning, performance measurement and greater analysis.



Business Case - Quantifiable Investments

Approximate costs for implementation of the new Budgetary process are as follows:

COSTS	AMOUNT	COMMENTS
Financial Management Training	\$200,000 - \$500,000	Analysis and Financial Management Training for Program Managers
System Maintenance	\$ 80,000 to \$120,000	Based on Central Administrator and System Support Staff
Additional Reporting and Modeling Tools	\$250,000 to \$500,000	Based on site license for Powerplay Software
Total Annual	\$ 530,000 to \$1,120,000	Exclusive of cost to implement and maintain new EAS system

Note: An additional \$3-5 million would be required if a datawarehouse was used to support all process areas.